

Impact of Non-Market Housing on Property Values

Updated Research
1999/2000

In 1995, the B.C. Government sponsored research into the impact of social and special needs housing on their host neighbourhoods in several communities. This led to the publication of a series of practical guides to assist groups working to develop or acquire non-market housing to respond to neighbour and community concerns related to this type of housing.

One component of the research program was to examine the impact of non-market housing projects and group homes on the property values of nearby homes. Using similar methodologies, four appraisers examined sales data in seven communities – Kelowna, Surrey, North Vancouver, Vancouver, Nanaimo, Esquimalt and Victoria. Although they worked independently, their conclusions were remarkably similar – that there were no negative impacts on the sale prices of homes in the immediate area. Additionally, they found no evidence of panic selling or an extraordinary length of time on

the market of homes for sale within the area. The results of the research were published as one in a series of six guides entitled "Toward More Inclusive Neighbourhoods".

This study replicates and updates the work undertaken in 1995. It uses the same methodology and housing projects as the previous work. This approach was chosen as it provides a relatively long-term picture of actual sales activity in the same neighbourhoods – at least eight years and as much as 12 years, depending on the date the project or home was first occupied.



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The Value of One's Home Is Important

Home ownership is perhaps the most significant investment made by any individual or family. All homeowners want to feel that their investment is secure and that, if and when they decide to sell their home, its value won't be negatively affected by their neighbours' properties. With high home prices, mortgage payments can consume a large proportion of a household's income, especially for young families. And for older homeowners who have paid off their mortgages, the ability to sell their home in order to generate income during their retirement years is very important. Any potential negative impact on the value of their home is viewed with concern.

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In B.C., nearly every rezoning, development permit or variance application evokes the claim that existing residents will see their properties devalued if a non-market development is allowed in the neighbourhood. Many local government politicians say that this is the most frequent concern at any public hearing. Too often, the discussion is based on speculation rather than fact.

Methodology and Selection of Developments

Four appraisal firms were commissioned to undertake property values studies in seven communities. Their work program involved an analysis of the average prices of home sales within a pre-defined impact area, where value fluctuations, if any, would be expected to appear, in comparison with a nearby control area of similar sizes and types of homes. The reason sales were selected as the methodological basis rather than property assessments is because sales reflect the actual decisions of buyers and sellers, whereas assessments are a proxy for the marketplace.

The five family developments were originally selected through a review of all projects built under the Federal-Provincial Non-Profit Housing program. At that time, the criteria for selection were that the developments were:

- located in rapidly growing areas of the province (Lower Mainland, Vancouver Island, Okanagan);
- occupied for at least two years prior to the study;
- located in an area of primarily single detached homes of similar age, size, amenities and condition;
- located in an area where there were no other non-market projects or group homes in the impact or control areas; and

- subject to a contentious rezoning or development permit process.

The criteria for selection for the two group home projects were that they are:

- located in the Lower Mainland and on Vancouver Island;
- occupied for at least two years prior to the study;
- located in an area of primarily single detached homes of similar age, size, amenities and condition; and
- located in an area where there were no other non-market projects or group homes in the impact or control areas.

Since the first study was undertaken, the amount of sales activity has declined considerably in all parts of B.C.. Overall, in the communities under investigation, there have been fewer sales in the new study period in comparison with the earlier period. Despite this drop in market activity, average sale prices have remained reasonably constant within each of the communities. As will be evident from a review of the following tables, the patterns are very similar between the impact and control areas in all seven communities.

The following text identifies the family housing project or group home, outlines the pattern of sales activity during the update period. An accompanying table provides

data from both the original research and the updated work. The new data is presented in *italicized text*.

Tables 8 and 9 provide an overall summary of the research and show the relative and absolute values of all seven projects. In six of the seven projects examined, over the entire period of investigation, despite a NIMBY factor, the average annual sale price increased more in the impact areas than in their control areas.

Pacific Court — Nanaimo

Pacific Court is a 34-unit family townhouse project in the Harewood area of Nanaimo which was first occupied in 1991. The project's sponsor is Pacifica Housing.

The impact area associated with Pacific Court was identified as being contained within the boundaries of Third Street on the north, Watfield Avenue on the east, Fourth Street to the south and Wakesiah Avenue to the west. Sixty-eight residences are located in this area. The control area is located immediately to the south of the impact area and has a similar housing mix, street improvements and amenities. There are 54 residences in the control area.

Over the updated period, 16 sales were recorded in the control area and 17 transactions in the impact area. In some years, there was only

one sale in either the control or impact areas. The appraiser observes that the limited number of sales in each area is most likely due to declining market conditions throughout the Nanaimo area during the period 1995 to date.

Johnston Court — Surrey

Johnston Court is located in the Guildford area of Surrey at the western edge of a subdivision of single detached homes developed in the mid 1980s. It was occupied in 1993 and is managed by the Affordable Housing Society. Two market townhouse complexes are located to the north of Johnston Court. Overall, there has been a noticeable decline in sales volumes

in Surrey since the original research was conducted.

For the purposes of this study, the impact area was limited to the 67 properties to the east of the project. The area selected as the control area is a 69-lot section of the neighbourhood two blocks west of the impact area. This area was chosen due to the constancy of prevailing conditions including lot sizes, amenities and dwelling types and sizes.

There were 15 transactions in the impact area and 10 transactions in the control area during the study period between 1995 and 1998. During that period, average sale price increases in the impact area were slightly higher (+ .8 per cent) than in the control area (- 5 per

Table 1
Pacific Court, Nanaimo — Property Values Comparisons

| Year | Average Sale Price Impact Area | Average Sale Price Control Area |
|--------------|-----------------------------------|------------------------------------|
| 1989 | \$62,000 | \$59,912 |
| 1990 | \$69,000 | \$63,480 |
| 1991 | \$90,000 | \$89,750 |
| 1992 | \$106,956 | \$89,250 |
| 1993 | \$120,929 | \$113,129 |
| Update Years | | |
| 1994 | \$138,292 | \$119,500 |
| 1995 | \$130,500 | \$108,000 |
| 1996 | \$126,333 | \$102,500 |
| 1997 | \$145,500 | \$104,787 |
| 1998 | \$116,450 | \$96,456 |

Source: CitySpaces Consulting Ltd. derived from
Non-Market Housing, Nanaimo, B.C. R.E. Burnett Appraisals
Ltd. January 2000.

cent) over the study period. The Surrey average overall during the same declined slightly (- 1 per cent). A new method of reporting sales statistics was developed in 1995 by the Fraser Valley Real Estate Board in 1995 which is known as the House Price Index (HPI). This index represents the estimated changes in the value of a typical (not new) home. The HPI values compare very closely to the value range found in both the impact and control areas - a decrease of .2 per cent.

The appraiser concluded that, over the specified period, values tended to change at relatively the same rates in both the impact and control neighbourhoods as well as the overall Surrey area and that no significant effect has been found on sales prices in the impact area due to the social housing project. These findings are consistent with the conclusions of the previous study.

The appraiser also undertook an analysis of the two properties immediately adjacent to Johnston Court which sold during the update period and concluded that the properties were not negatively impacted by the social housing complex in respect to either market value or marketing time.

Table 2
Johnston Court, Surrey — Property Values Comparisons

| | Year | Average Sale Price | Average Sale Price |
|--------------|------|--------------------|--------------------|
| | | Impact Area | Control Area |
| | 1991 | \$196,000 | \$169,750 |
| | 1992 | \$196,250 | \$199,317 |
| | 1993 | \$219,200 | \$212,544 |
| | 1994 | \$231,750 | \$233,167 |
| Update Years | 1995 | \$241,700 | \$228,667 |
| | 1996 | \$216,750 | \$241,000 |
| | 1997 | \$232,700 | \$223,633 |
| | 1998 | \$233,667 | \$222,000 |

Source: CitySpaces Consulting Ltd. derived from Social Housing Market Impact Study, Collingwood & Associates.

Margaret Heights — City of North Vancouver

Margaret Heights is located in a neighbourhood near Lynn Canyon Park that has generally developed as a mix of newer and older strata titled townhouses, mixed age detached dwellings and semi-detached duplexes. The 19-unit townhouse project, managed by Entre Nous Femmes, was developed in 1991.

The impact area was limited to the closest 57 single family dwellings, including the 26 semi-detached duplexes directly opposite the project on Rufus Drive and the 31 detached homes to the south and east of the subject site. The area selected as the control area is a 64-lot section of the neighbourhood one block to the north. This area was

chosen due to its similarities with the impact area in terms of lot sizes, amenities and mix in housing stock, including similarly sized family homes.

While only nine properties sold in the impact area over the update period 1994 through 1998, there were 18 transactions in the control area. The small number of transactions is reflective of the overall declining volume of sales activity in North Vancouver during the update period.

The overall change during the update period was +16.1 per cent in the impact area, which closely parallels the +15.5 per cent increase in the control area and the +15.4 per cent increase for North Vancouver overall. With respect to marketing time, the average number of days in the

Table 3
Margaret Heights, North Vancouver —
Property Values Comparisons

| | Year | Average Sale Price Impact Area | Average Sale Price Control Area |
|--------------|------|-----------------------------------|------------------------------------|
| | 1990 | \$216,700 | \$305,600 |
| | 1991 | \$226,100 | \$226,625 |
| | 1992 | \$273,700 | \$296,500 |
| | 1993 | \$279,900 | \$300,286 |
| Update Years | 1994 | \$249,000 | \$346,917 |
| | 1995 | \$333,000 | \$417,000 |
| | 1996 | \$332,450 | \$332,100 |
| | 1997 | \$324,875 | \$335,750 |
| | 1998 | No Sales | \$427,750 |

Source: CitySpaces Consulting Ltd. derived from Social Housing Market Impact Study. Collingwood & Associates. January 2000.

change for North Vancouver MLS properties.

Columbus Place — Kelowna

Columbus Place is a 46-unit townhouse project located in the Springfield area of Kelowna. The project, first occupied in 1990, is managed by Columbian Centennial Housing Society. The project is a mix of 40 family townhouses and includes a six-plex for physically disabled people. Homes in the neighbourhood average 1,000-1,200 sq. ft. and

impact area was a relatively short 23 days for the nine sales and 50 days for sales in the control area.

The appraiser concluded that, over the update period, values tended to change at relatively the same rates in the impact and control neighbourhoods as well as North Vancouver overall and that no significant effect was found on sales prices, marketing time or number of sales in the impact area due to Margaret Heights. These findings are consistent with the conclusions of the previous study.

The appraiser also examined four sales in the semi-detached properties that are immediately opposite Margaret Heights on Rufus Drive. She found that the average monthly change in the values of these homes between sales was very close to the rate of

Table 4
Columbus Place, Kelowna — Property
Values Comparisons

| | Year | Average Sale Price Impact Area | Average Sale Price Control Area |
|--------------|------|-----------------------------------|------------------------------------|
| | 1988 | \$96,940 | \$98,625 |
| | 1989 | \$96,500 | \$91,300 |
| | 1990 | \$135,000 | \$107,200 |
| | 1991 | \$130,300 | \$117,900 |
| | 1992 | \$166,200 | \$142,600 |
| Update Years | 1993 | \$167,450 | \$146,700 |
| | 1994 | \$184,200 | \$129,500 |
| | 1995 | \$185,750 | \$151,000 |
| | 1996 | \$195,500 | \$142,100 |
| | 1997 | \$158,250 | \$157,000 |
| | 1998 | \$136,000 (1 sale) | \$151,700 |
| | 1999 | \$151,400 | \$156,300 |

Source: CitySpaces Consulting Ltd. derived from Market Study Update: Single Family Residential Property Values, Simpson/Wernic Court Neighbourhood, Kelowna, British Columbia. Kent-MacPherson Appraisals. December 1999.

were developed in the 1970s and 1980s.

The appraiser's update examined sales data for the period 1993 through 1998 within the three block impact area close to Columbus Place (61 properties) in comparison with sales in a control area of similar housing types and amenities (62 properties). During the update period, overall market activity in Kelowna was considerably less than the previous period of investigation and average sales values followed a pattern of decline before recovering in 1998. This pattern was also observed in both the impact and control areas.

There were 22 transactions within the impact area and 29 in the control area. Sale prices increased marginally in both areas – an average monthly increase of .21 per cent in the impact area and .22 in the control area.

In addition to comparative property value trends, the study also examined market exposure and price/list ratios in both the impact and control areas for sales over the period 1996 through 1999. The results indicate a very similar pattern in exposure time within the two areas (impact = 1.53 months; control = 1.63 months) as well as a narrow range of price to list ratio (impact = .97; control area = .966).

The appraiser concluded that the sales evidence in the update period indicates consistency between the two areas in market values, exposure periods and price

to list ratios. This corroborates the findings of the original analysis.

The Hamlet — Victoria

The Hamlet is a 10-unit townhouse project developed and managed by the Capital Region Housing Corporation. The infill site, previously owned by the City of Victoria, had been vacant before being developed as a non-market housing project in 1990. The neighbourhood is very homogeneous; the entire area was subdivided under a single plan and features modest to average quality detached homes generally built between 1920 and 1950.

In this study, the appraiser compared sales of properties in the immediate vicinity of The Hamlet with sales in the balance of the neighbourhood. A one-block radius of the subject project was considered to be the impact area, where value fluctuations, if any, would be expected to appear. There are 52 homes within this area. The appraiser then selected a control area surrounding the impact area which does not contain any other non-market project. In total, approximately 333 single homes are located in the control area. During the period of investigation, the average and median selling prices each year in the impact area were compared to the

Table 5
The Hamlet, Victoria — Property Values Comparisons

| | Year | Average Sale Price Impact Area | Average Sale Price Control Area |
|--------------|------|-----------------------------------|------------------------------------|
| | 1988 | \$78,560 | \$84,144 |
| | 1989 | \$98,386 | \$102,412 |
| | 1990 | \$130,229 | \$126,633 |
| | 1991 | \$147,580 | \$143,189 |
| | 1992 | \$179,038 | \$177,922 |
| Update Years | 1993 | \$176,250 | \$185,886 |
| | 1994 | \$211,375 | \$211,980 |
| | 1995 | \$149,000 | \$176,981 |
| | 1996 | \$174,333 | \$191,027 |
| | 1997 | \$151,450 | \$182,462 |
| | 1998 | \$213,633 | \$175,656 |

Source: CitySpaces Consulting Ltd. derived from Property Values Impact Study, Family Townhouse Project, 2620 Shakespeare Street, Victoria, B.C. D.R. Coell & Associates Inc. December 1999.

Table 6
Champlain Place, East Vancouver —
Property Values Comparisons

| | Year | Average Sale Price Impact Area | Average Sale Price Control Area |
|--------------|------|-----------------------------------|------------------------------------|
| | 1991 | \$274,000 | \$293,187 |
| | 1992 | \$307,750 | \$350,000 |
| | 1993 | \$372,256 | \$389,714 |
| Update Years | 1994 | \$400,000 | \$440,600 |
| | 1995 | \$423,533 | \$454,760 |
| | 1996 | \$415,000 | \$442,567 |
| | 1997 | \$375,000 | \$404,400 |
| | 1998 | No sales | \$362,000 |

Source: CitySpaces Consulting Ltd. derived from Social Housing Market Impact Study. Collingwood & Associates. January 2000.

average and median selling prices in the control area.

During the six year update period – 1993 through 1998 – property values in the impact area were typically 95 per cent of those in the control area. The appraiser observes that this experience has been consistent over the years and also reflects the typical value patterns that existed in the neighbourhood prior to the development of "The Hamlet." The research indicates that there was no negative impact on neighbourhood property values following the construction of this small townhouse project.

Champlain Place — Vancouver

Champlain Place is located in the Killarney area of East Vancouver. The area was originally developed in the 1950s, primarily with 900-1,200 sq.ft. bungalow homes. The lot sizes are larger than those in many East Vancouver neighbourhoods. Consequently, even though the existing dwellings have considerable remaining physical life, the trend is toward redevelopment of these properties with high quality new homes built to the maximum square footage allowable. Demand for properties in this neighbourhood had been relatively high in the early 1990s; however, during the past several years, demand has diminished primarily due to the decrease in demand for redevelopment properties and the overall

market decline in the Vancouver Real Estate Board area.

For the study, the impact area was identified as the closest 44 properties to Champlain House. The area selected as the control area contains 44 properties immediately east of the impact area. Both areas have similar lot sizes, amenities, and ages and sizes of dwellings.

During the update study period (1995 – 1998), the average sale price in East Vancouver declined 10 per cent. In the impact area, the decline was less than this overall average (– 6.3 per cent) and much less than in the control area (– 17.7 per cent). Overall, values tended to decrease at relatively the same rates in both the impact and control neighbourhoods as well as East Vancouver as a whole.

The appraiser also examined the sales patterns on a per square foot basis (to equalize the difference to account for slightly larger sized lots in the control area) and two sales of properties immediately adjacent to the group home. She concluded that the average price per square foot are quite constant, year to year, between properties in the control and impact areas.

The appraiser also analyzed a sale of one property immediately adjacent to the group home, sold in 1995 and observed that the average sale price per square foot was virtually the same as other comparable sales at that time. The

marketing time of 67 days, however, was somewhat longer than the average at that time.

Overall, no significant effect was found on sale prices or marketing time for properties in the impact area due to the group home during the update period. This is consistent with the conclusions of the previous study.

Group Home — Esquimalt

This project is a "community living" group home for four mentally handicapped adults, located in an established neighbourhood of single detached homes in the Gorge neighbourhood of Esquimalt, a municipality located in Greater Victoria. The eastern portion of the area was developed in the 1940s and 1950s, while most of the balance of the neighbourhood was developed through in-fill subdivision in the 1970s and 1980s. The group home was constructed and first occupied in 1990 and has operated continuously since that time.

In this update, the appraiser compared sales of properties in the immediate vicinity of the group home with sales in the balance of the neighbourhood. The impact area is a one-block radius from the group home — there are 43 homes within this area (duplexes and waterfront properties were excluded from the analysis). The control area is adjacent to the impact area with

Table 7
Esquimalt Group Home — Property Values Comparisons

| Year | Average Sale Price Impact Area | Average Sale Price Control Area |
|--------------|-----------------------------------|------------------------------------|
| 1988 | \$101,833 | \$118,911 |
| 1989 | \$127,975 | \$131,500 |
| 1990 | \$160,000 | \$142,283 |
| 1991 | \$193,800 | \$169,707 |
| 1992 | \$208,003 | \$208,656 |
| Update Years | 1993 | \$223,500 |
| | 1994 | \$227,750 |
| | 1995 | \$212,500 |
| | 1996 | \$208,000 |
| | 1997 | \$234,625 |
| | 1998 | \$217,000 |
| | 1999 | \$206,000 |

Source: CitySpaces Consulting Ltd. derived from Property Values Impact Study, Group Home for the Mentally Ill, Esquimalt, B.C. D.R. Coell & Associates Inc. December 1999.

approximately 150 homes. During the period of investigation, the average and median selling prices each year in the impact area were compared to the average and median selling prices in the control area.

During the update period, the values in the impact area were typically in the range of 101.6 per cent to 104.4 per cent of the control area values. The appraiser observed that this experience has been consistent over the years and also reflects typical value patterns that existed in the neighbourhood prior to the establishment of the group home. The appraiser concluded that the research indicates that there was no negative impact on

neighbourhood property values resulting from the development of the group home.

Similar Patterns in All Communities

The two following tables present comparative information for the five developments and two group homes that were examined by the appraisers. During the period of update, in all locations, the housing market was much less active than

the prior period of investigation. On the whole, market values increased only marginally on an average annual basis or, in some cases, experienced a small decline.

The first table shows the average annual price change (per cent) over the update period as well as for the entire period of

investigation. During the update period, with the exception of North Vancouver, market values have increased only marginally or declined. In every community, home prices in the impact areas are remarkably similar to the pattern of sales in both the control area and the community-wide housing market. Looking at

Table 8
Summary Table
Average Annual Sales Price Changes — Single Detached Homes

| Type of Housing Project | Year Occupied | Community | Area | Average Annual Price Change Updated Years | Average Annual Price Change All Years |
|--------------------------------|---------------|-----------------|--------------|---|---------------------------------------|
| Family Pacific Court | 1991 | Nanaimo | Impact Area | - 0.7 | + 7.6 |
| | | | Control Area | - 1.6 | + 6.4 |
| | | | Overall | 0.0 | + 6.3 |
| Family Johnston Court | 1993 | Surrey | Impact Area | + 0.4 | + 2.8 |
| | | | Control Area | - 1.1 | + 4.2 |
| | | | Overall | - 0.2 | + 4.5 |
| Family Margaret Heights | 1991 | North Vancouver | Impact Area | + 2.9 | + 6.8 |
| | | | Control Area | + 8.8 | + 6.3 |
| | | | Overall | + 5.3 | + 5.5 |
| Family Columbus Place | 1990 | Kelowna | Impact Area | - 0.7 | + 5.3 |
| | | | Control Area | + 1.7 | + 4.8 |
| | | | Overall | + 2.6 | + 7.8 |
| Family The Hamlet | 1990 | Victoria | Impact Area | + 5.6 | + 12.6 |
| | | | Control Area | + 0.3 | + 8.4 |
| Elderly Mentally Ill Champlain | 1992 | East Vancouver | Impact Area | - 1.9 | + 5.8 |
| | | | Control Area | - 4.6 | + 3.6 |
| | | | Overall | - 3.9 | + 3.6 |
| Adult Mentally Ill | 1990 | Esquimalt | Impact Area | + 1.0 | + 8.5 |
| | | | Control Area | - 0.1 | + 6.0 |

the housing prices for the entire period of investigation, the annual average increase was slightly greater than the annual average increase in the control area in six of the seven developments being examined.

The second table presents dollar values, showing the average price

in the impact and control neighbourhoods during the year each of the developments was occupied in the most recent year for which comparable data is available. In every case, there was a substantial increase in the sale price of homes in the impact areas for each of the seven under review.

From the market studies undertaken by four appraisal firms in seven communities, the results demonstrate that non-market projects have not had a negative impact on the sale prices of nearby homes; in all cases, average sales prices have increased substantially since the non-market homes were introduced.

Table 9
Summary Table
Average Sale Prices, — Single Detached Homes

| Type of Housing Project | Community | Area | Year of Occupancy | 1998 (or other year as noted) |
|-------------------------|-----------------|-----------------|-------------------|----------------------------------|
| Family Pacific Court | Nanaimo | Impact Area | \$90,000 | \$116,450 |
| | | Control Area | \$89,750 | \$96,750 |
| | | Nanaimo Overall | \$109,839 | \$151,000 |
| Family Johnston Court | Surrey | Impact Area | \$196,250 | \$233,667 |
| | | Control Area | \$199,317 | \$220,000 |
| | | Surrey Overall | \$207,114 | \$240,814 |
| Family Margaret Heights | North Vancouver | Impact Area | \$226,100 | \$324,875 ^A |
| | | Control Area | \$226,625 | \$335,750 ^A |
| | | Overall | \$260,050 | \$427,750 |
| Family | Kelowna | Impact Area | \$135,000 | \$151,400 ^B |
| | | Overall | \$124,428 | \$175,959 |
| Family The Hamlet | Victoria | Impact Area | \$130,229 | \$213,633 |
| | | Control Area | \$126,633 | \$175,656 |
| Adult Mentally ill | East Vancouver | Impact Area | \$307,750 | \$375,000 ^A |
| | | Control Area | \$350,000 | \$404,400 ^A |
| Elderly Mentally ill | Esquimalt | Impact Area | \$160,000 | \$217,000 |
| | | Control Area | \$142,283 | \$206,000 |

Notes:

A - 1997 data

B - 1999 data